

## Message Text

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APPROVED BY NEA:SSOBER  
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TO AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY AMMAN IMMEDIATE

USINT BAGHDAD IMMEDIATE

AMEMBASSY CAIRO IMMEDIATE

AMEMBASSY DAMASCUS IMMEDIATE

AMEMBASSY DOHA IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY MUSCAT IMMEDIATE

AMEMBASSY SANA IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY JIDDA IMMEDIATE

INFO AMEMBASSY ALGIERS IMMEDIATE

AMEMBASSY BEIRUT IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY KHARTOUM IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY TUNIS IMMEDIATE

AMEMBASSY RABAT IMMEDIATE

AMEMBASSY ATHENS IMMEDIATE

AMEMBASSY BONN IMMEDIATE

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AMEMBASSY MOGADISCIO IMMEDIATE

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AMEMBASSY NOUAKCHOTT IMMEDIATE

AMEMBASSY OTTAWA IMMEDIATE

AMEMBASSY PARIS IMMEDIATE

AMEMBASSY TEL AVIV IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

DOD IMMEDIATE

CIA IMMEDIATE

NSC IMMEDIATE

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E.O. 11652: N/A

TAGS: PFOR, ETRD

SUBJECT: ARAB BOYCOTT: STATEMENT BY SECRETARY VANCE

1. FOLLOWING IS STATEMENT WHICH SECRETARY VANCE PLANS TO MAKE BEFORE INTERNATIONAL FINANCE SUBCOMMITTEE OF SENATE BANKING COMMITTEE ON FEBRUARY 28 AND BEFORE HOUSE INTERNATIONAL RELATIONS COMMITTEE ON MARCH 1. INSTRUCTIONS FOR USE BEING SENT SEPTEL. TEXT UNCLASSIFIED WHEN STATEMENT HAS BEEN MADE.

2. BEGIN QUOTE: MR. CHAIRMAN, I AM PLEASED TO HAVE THIS OPPORTUNITY TO ADDRESS THE BOYCOTT ISSUE AND THE ADMINISTRATION'S POSITION CONCERNING PROPOSED NEW ANTI-BOYCOTT LEGISLATION.

WE FAVOR RENEWAL OF THE EXPORT ADMINISTRATION ACT OF 1969, IN ORDER TO PROVIDE SPECIFIC LEGISLATIVE AUTHORITY FOR THE SECRETARY OF COMMERCE TO CONTROL EXPORTS FOR REASONS OF NATIONAL SECURITY, FOREIGN POLICY, AND SHORT SUPPLY. A NUMBER OF AGENCIES WILL BE SUBMITTING TO YOUR COMMITTEE REPORTS ON TITLE I AND TITLE III OF THE BILLS TO RENEW THE LIMITED OFFICIAL USE  
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EXPORT ADMINISTRATION ACT.

LET ME TURN TO THE QUESTION OF BOYCOTTS.

THE PRESIDENT HAS ASKED ME, AS THE FIRST REPRESENTATIVE OF THE NEW ADMINISTRATION TO ADDRESS THIS ISSUE BEFORE THE CONGRESS, TO SAY THAT WE WANT TO WORK CLOSELY WITH YOU ON THE PROBLEMS THAT FOREIGN BOYCOTTS PRESENT TO AMERICAN COMMERCE AND AMERICAN FIRMS, ESPECIALLY AS THEY INVOLVE CONDUCT THAT IS CONTRARY TO COMMONLY ACCEPTED AMERICAN PRINCIPLES AND STANDARDS. THE PRESIDENT HAS OFTEN MADE CLEAR HIS CONCERN, AND I SHARE HIS DEEP FEELINGS ON THIS ISSUE. HE FINDS ABHORRENT DISCRIMINATION ON THE BASIS OF RACE, RELIGION, AND NATIONAL ORIGIN. AND, DURING HIS CAMPAIGN, HE ALSO SPOKE OUT AGAINST BOYCOTT PRACTICES REQUIRING AMERICAN FIRMS NOT TO DEAL WITH FRIENDLY COUNTRIES OR OTHER AMERICAN FIRMS.

LET ME SUMMARIZE THE PRINCIPLES ON WHICH WE BELIEVE AN APPROACH TO THESE PROBLEMS SHOULD BE BASED:

1. ANY FOREIGN BOYCOTT-MOTIVATED DISCRIMINATION AGAINST U.S. PERSONS ON THE BASIS OF RELIGION, RACE, OR NATIONAL

ORIGIN SHOULD BE EXPLICITLY OUTLAWED. FIRMS SHOULD BE PROHIBITED FROM RESPONDING TO BOYCOTT-RELATED REQUESTS FOR INFORMATION ON RELIGION, RACE, OR NATIONAL ORIGIN.

2. REFUSALS BY AMERICAN FIRMS TO DEAL WITH ANY FRIENDLY FOREIGN COUNTRY, DEMONSTRABLY RELATED TO A FOREIGN BOYCOTT, SHOULD BE PROHIBITED. SO, IN GENERAL, SHOULD REFUSALS TO DEAL WITH OTHER U.S. FIRMS. WE BELIEVE THAT DECISIONS AS TO WHAT COMMERCE U.S. FIRMS MAY OR MAY NOT HAVE WITH OTHER COUNTRIES OR WITH OTHER U.S. FIRMS SHOULD BE MADE, CONSONANT WITH AMERICAN POLICY, BY AMERICANS AND ONLY AMERICANS. THIS PRINCIPLE RAISES DIFFICULT QUESTIONS ABOUT ENFORCEMENT--TURNING ON JUDGMENTS ABOUT A COMPANY'S INTENT LIMITED OFFICIAL USE  
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WHEN IT DOES NOT DO BUSINESS WITH A FRIENDLY COUNTRY OR ANOTHER COMPANY. WE NEED TO EXAMINE, BOTH WITHIN THE EXECUTIVE BRANCH AND IN CONSULTATION WITH THE CONGRESS, HOW THIS PRINCIPLE CAN MOST EFFECTIVELY BE EXPRESSED IN LEGISLATION. WE NEED TO PROVIDE OUR COMPANIES WITH CLEAR AND REALISTIC GUIDANCE ON HOW TO CONDUCT TRADE IN BOYCOTT-RELATED SITUATIONS. WE MUST CONSIDER FOR EXAMPLE, SUCH DIFFICULT PROBLEMS AS WHETHER AN AMERICAN COMPANY MIGHT BE REQUIRED TO SHIP GOODS TO A FOREIGN COUNTRY WHEN IT KNEW THAT THESE GOODS WOULD BE TURNED BACK OR CONFISCATED AT THE PORT OF ENTRY.

3. THE PROHIBITIONS AFFECTING U.S. FIRMS SHOULD NOT, IN GENERAL, APPLY TO TRANSACTIONS OF FOREIGN SUBSIDIARIES OF U.S. FIRMS WHICH INVOLVE THE COMMERCE OF A FOREIGN COUNTRY AND NOT U.S. EXPORTS. BUT THEY SHOULD APPLY IN CASES IN WHICH ANY U.S. FIRM SEEKS TO USE FOREIGN SUBSIDIARIES IN A MANNER INTENDED TO CIRCUMVENT THE LAW.

4. THE NEW LAW SHOULD PREEMPT PROVISIONS OF STATE LAWS DEALING WITH FOREIGN BOYCOTTS. THIS SHOULD BE DONE IN THE INTERESTS OF UNIFORMITY AND TO REMOVE ELEMENTS OF CONFUSION AND UNCERTAINTY FROM THE CONDUCT OF OUR FOREIGN COMMERCE.

5. TO ENABLE AN ORDERLY TRANSITION TO BE MADE TO THE NEW LEGISLATIVE REQUIREMENTS, SOME KIND OF GRANDFATHER CLAUSE OR GRACE PERIOD SHOULD BE PROVIDED WITH REGARD TO TRANSACTIONS UNDER EXISTING COMMITMENTS.

6. THE NEW LAW SHOULD SUBSTANTIALLY CUT BACK THE REPORTING REQUIREMENTS ON U.S. FIRMS. MANY OF THE REPORTS NOW REQUIRED WOULD NOT BE NEEDED IN ENFORCING A NEW LAW. THE BENEFITS OF MAINTAINING SUCH INFORMATION-GATHERING REQUIREMENTS WOULD BE DISPROPORTIONATE TO THE BURDEN ON INDIVIDUAL FIRMS.

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7. ALL BOYCOTT REPORTS SUBMITTED TO COMMERCE SHOULD BE PUBLICLY RELEASED. ONLY PROPRIETARY BUSINESS INFORMATION SHOULD BE PROTECTED.

WE RECOGNIZE THAT THIS ISSUE STEMS, AT THIS TIME, PRIMARILY FROM CONCERNS ABOUT THE ARAB BOYCOTT OF ISRAEL. WE BELIEVE THAT, IN COOPERATION WITH CONGRESS, WE CAN MAKE PROGRESS ON THESE ISSUES WITHOUT SERIOUSLY IMPAIRING OPPORTUNITIES FOR FOREIGN TRADE, OR INHIBITING OUR DIPLOMACY IN THE MIDDLE EAST. AND WE COMMIT OURSELVES TO COOPERATING WITH CONGRESS TO ACHIEVE THIS RESULT.

WE ARE STRONGLY OPPOSED TO FOREIGN BOYCOTTS DIRECTED AGAINST FRIENDLY COUNTRIES. BUT WE UNDERSTAND THAT STATES DO EXERCISE THEIR SOVEREIGN RIGHTS TO REGULATE THEIR "OMMERCE, AND TO DECIDE, IF THEY WISH, TO REFUSE TO DEAL WITH OTHER NATIONS OR THE FIRMS OF OTHER NATIONS. THEY HAVE THE RIGHT TO CONTROL THE SOURCE OF THEIR IMPORTS AS WELL AS THE DESTINATION OF THEIR EXPORTS.

WE VIEW AS A DIFFERENT MATTER, HOWEVER, EFFORTS BY ANY FOREIGN COUNTRIES TO INFLUENCE DECISIONS AND ACTIVITIES OF AMERICAN FIRMS IN CONNECTION WITH ANY PRIMARY BOYCOTT OF ANOTHER COUNTRY. THUS, SECONDARY BOYCOTT PRACTICES OF OTHER COUNTRIES CAN INTRUDE SERIOUSLY INTO THE BUSINESS PRACTICES OF AMERICAN FIRMS ENGAGED IN U.S. COMMERCE AND CAN HAVE THE EFFECT OF USING U.S. COMMERCE TO HARM THIRD COUNTRIES WITH WHOM WE ARE FRIENDS. I BELIEVE WE WILL ALL AGREE THAT U.S. FIRMS SHOULD NOT BE REQUIRED, BY THE DECISION OF A FOREIGN NATION, TO AVOID COMMERCIAL RELATIONS WITH OTHER FRIENDLY COUNTRIES OR WITH OTHER U.S. FIRMS.

ONE SPECIFIC PROBLEM ARISING FROM FOREIGN BOYCOTT PRACTICES HAS BEEN THE REQUIREMENT FOR USE OF NEGATIVE

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CERTIFICATIONS (E.G., CERTIFICATIONS THAT GOODS DO NOT ORIGINATE IN A GIVEN COUNTRY, OR ARE NOT PRODUCED BY A FIRM BLACKLISTED BY ANOTHER COUNTRY OR ARE NOT SHIPPED ON A BLACKLISTED VESSEL). THE MEMBERS OF THIS COMMITTEE SHOULD BE AWARE THAT DIPLOMATIC EFFORTS AND THE EFFORTS OF THE U.S. BUSINESS COMMUNITY OVER MANY MONTHS HAVE BROUGHT ABOUT SOME ENCOURAGING CHANGES IN THIS AREA OF CONCERN. I AM HAPPY TO REPORT THAT DURING MY VISIT TO SAUDI ARABIA, ITS LEADERS INFORMED US THAT SAUDI ARABIA

WILL ACCEPT POSITIVE CERTIFICATIONS OF ORIGIN. WE ARE CONTINUING OUR EFFORTS TO BRING ABOUT FURTHER VOLUNTARY CHANGES BY FOREIGN GOVERNMENTS IN THIS AND OTHER AREAS OF INTRUSIVE BOYCOTT PRACTICES.

WE AGREE, MR. CHAIRMAN, ON THE NEED TO PROHIBIT BY LAW IN ABSOLUTE TERMS ANY DISCRIMINATORY ACTIONS ARISING FROM FOREIGN BOYCOTTS, BASED ON RACE, RELIGION, OR NATIONAL ORIGIN. FORTHRIGHT DIPLOMACY IS ANOTHER WAY TO PURSUE OUR EFFORTS, AND WE HAVE FOUND A FORTHCOMING RESPONSE. THE GOVERNMENT OF SAUDI ARABIA HAS VERY RECENTLY INFORMED US AGAIN THAT ITS BOYCOTT "HAS NO CONNECTION WITH OR BASIS IN MATTERS OF RACE OR CREED." WHEN SPECIFIC INSTANCES OF DISCRIMINATORY REQUESTS HAVE BEEN REPORTED IN ISOLATED INSTANCES, WE HAVE APPROACHED FOREIGN GOVERNMENTS AND RECEIVED ASSURANCES THAT DISCRIMINATION WAS CONTRARY TO THE POLICY OF THE GOVERNMENT IN QUESTION. WE APPRECIATE THE RESPONSIVENESS OF THE BOYCOTTING COUNTRIES TO OUR CONCERN IN SEEKING TO REMEDY AND AVOID RECURRENCE OF ANY SUCH DISCRIMINATION, WHICH ALL OF US ABHOR. WE WILL REMAIN VIGILANT ON THIS POINT.

MY APPEARANCE HERE FOLLOWS CLOSELY ON MY RETURN FROM THE MIDDLE EAST. I BELIEVE IT WOULD BE APPROPRIATE TO TALK FOR A MOMENT ABOUT OUR MIDDLE EAST POLICY AS A WHOLE, AND ABOUT OUR HOPES AND OUR EFFORTS FOR A PEACE SETTLEMENT IN THE AREA.

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PRESIDENT CARTER ASKED ME TO TRAVEL TO THE MIDDLE EAST, IN MY FIRST MISSION ABROAD AS SECRETARY OF STATE, BECAUSE HE BELIEVES THAT THE MIDDLE EAST SITUATION MUST BE GIVEN VERY HIGH AND EARLY PRIORITY.

MY TRIP HAD SEVERAL PURPOSES.

-- TO DEMONSTRATE THE IMPORTANCE THE PRESIDENT AND I ATTACH TO THE ACHIEVEMENT OF A JUST AND DURABLE PEACE IN THE MIDDLE EAST, AND TO THE MAINTENANCE OF CLOSE TIES BETWEEN THE UNITED STATES AND THE NATIONS I VISITED.

-- TO MEET THE LEADERS OF THOSE NATIONS AND ESTABLISH THE PERSONAL RELATIONSHIPS THAT ARE SO IMPORTANT TO A DIPLOMACY OF CONFIDENCE AND TRUST.

-- AND TO LEARN FROM THEM THEIR VIEWS, SO WE MIGHT DEFINE MORE CLEARLY AREAS OF BOTH AGREEMENT AND DISAGREEMENT, AND ESTABLISH A BASE FOR OUR OWN DIPLOMACY IN PURSUIT OF PEACE.

I AM SATISFIED THAT THESE PURPOSES WERE MET. WE FACE A

LONG AND DIFFICULT PROCESS, WITH NO ASSURANCE OF SUCCESS.  
BUT THIS HAS BEEN A GOOD BEGINNING, AND WE ARE DETERMINED  
TO PROCEED.

I WAS ENCOURAGED TO FIND A NUMBER OF AREAS OF GENERAL  
AGREEMENT AMONG THE LEADERS I MET:

-- THERE IS A COMMON COMMITMENT TO WORKING FOR PEACE, SO  
THAT THEY MAY TURN THE ENERGIES OF THEIR GOVERNMENTS TO  
BRINGING THE ECONOMIC AND SOCIAL BENEFITS OF PEACE TO  
THEIR PEOPLES.

-- THERE IS A CONSENSUS ON THE DESIRABILITY OF RECONVENING  
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THE GENEVA CONFERENCE SOMETIME DURING THE SECOND HALF OF  
1977.

-- EACH AGREED TO ATTEND SUCH A CONFERENCE WITHOUT PRE-  
CONDITIONS, ASSUMING THE RESOLUTION OF DISAGREEMENTS ON  
PROCEDURAL QUESTIONS.

-- THEY WOULD LIKE TO SEE THE UNITED STATES PLAY AN ACTIVE  
ROLE IN FACILITATING THE SEARCH FOR A SETTLEMENT.

-- AND EACH LEADER ACCEPTED AN INVITATION TO MEET WITH  
PRESIDENT CARTER DURING THE NEXT THREE MONTHS.

THIS IS A BASE ON WHICH WE CAN BUILD. BUT THERE ARE  
COMPLEX PROCEDURAL AND SUBSTANTIVE ISSUES THAT WILL RE-  
QUIRE IMAGINATION AND FLEXIBILITY FROM US ALL.

WHILE THERE WAS GENERAL AGREEMENT ON WHAT THE CORE ISSUES  
OF A SETTLEMENT MUST BE, THERE ARE STRONGLY DIFFERING  
VIEWS ON HOW THESE ISSUES SHOULD BE RESOLVED. THESE CORE  
ISSUES ARE THE NATURE OF PEACEFUL RELATIONS BETWEEN  
ISRAEL AND HER NEIGHBORS; THE BOUNDARIES OF PEACE, AND THE  
FUTURE OF THE PALESTINIANS.

IN ADDITION THERE ARE SHARP DISAGREEMENTS OVER WHETHER  
AND HOW THE PLO SHOULD BE INVOLVED IN A GENEVA CONFERENCE.

NO ONE CAN PROMISE SUCCESS. BUT WE ARE COMMITTED TO A  
SERIOUS EFFORT AT HELPING THE NATIONS OF THE MIDDLE EAST  
FIND A JUST AND LASTING SOLUTION TO THE CONFLICTS AND  
TENSIONS THAT HAVE PLAGUED THEM AND THREATENED THE WORLD  
FOR NEARLY THREE DECADES.

GIVEN THE INHERENT DIFFICULTY OF THIS CHALLENGE, AND THE  
VERY HIGH STAKES WE HAVE IN MEETING IT SUCCESSFULLY, WE  
BELIEVE WE ARE BOUND TO DO WHAT WE CAN TO ENHANCE THE

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CHANCES OF SUCCESS BY OUR HANDLING OF RELATED ISSUES.

I MUST ALSO REPORT THAT I DID FIND CONCERN IN ARAB CAPITALS ABOUT THE EFFECTS OF LEGISLATION ON COMMERCIAL RELATIONS BETWEEN THE U.S. AND THOSE COUNTRIES.

THEY ALSO ATTACH IMPORTANCE TO GOOD BILATERAL RELATIONS WITH THE UNITED STATES. OUR SHARED ECONOMIC AND COMMERCIAL INTERESTS ARE AN IMPORTANT PART OF THESE RELATIONS. THE MAGNITUDE OF THESE INTERESTS IS REFLECTED IN THE LATEST STATISTICS ON ECONOMIC RELATIONS BETWEEN THE UNITED STATES AND MIDDLE EASTERN COUNTRIES. OVER THE PAST FOUR YEARS, THE MIDDLE EAST MARKET FOR U.S. EXPORTS HAS DOUBLED IN IMPORTANCE (FROM ABOUT 5 PERCENT OF TOTAL U.S. EXPORTS TO NEARLY 10 PERCENT OF THIS TOTAL). DURING THIS PERIOD, OUR EXPORTS TO THE ARAB COUNTRIES HAVE NEARLY QUADRUPLED, TO A PRESENT LEVEL OF DOLLARS 7 BILLION A YEAR. OUR CURRENT EXPORTS TO ISRAEL AND THE ARAB COUNTRIES OF THE MIDDLE EAST NOW TOTAL SOME DOLLARS 8.5 BILLION. U.S. OIL IMPORTS FROM ARAB COUNTRIES NOW ACCOUNT FOR MORE THAN A THIRD OF TOTAL U.S. IMPORTS AND MORE THAN 15 PERCENT OF TOTAL U.S. OIL CONSUMPTION. REFLOWS TO THE UNITED STATES OF PETRO-DOLLARS IN THE FORM OF INVESTMENT FROM THE ARAB STATES ARE RUNNING SOME DOLLARS 10 BILLION A YEAR.

I BELIEVE THAT A FORTHRIGHT BUT CAREFULLY CONSIDERED POLICY EMPHASIZING THAT U.S. LEGISLATION DEALS--AS IS ENTIRELY APPROPRIATE--WITH U.S. COMMERCE AND THE ACTIVITIES OF U.S. PERSONS, WILL BE UNDERSTOOD BY ARAB LEADERS.

WE HAVE WEIGHED CAREFULLY THE RISKS TO OUR IMPORTANT POLITICAL AND ECONOMIC INTERESTS IN THE MIDDLE EAST WHICH ATTEND FURTHER LEGISLATION DIRECTED AT ACTIVITIES OF U.S. FIRMS RELATED TO FOREIGN BOYCOTTS. WE BELIEVE THAT  
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CAREFULLY DIRECTED LEGISLATION COMBINED WITH DIPLOMATIC ACTION CAN PROTECT OUR INTERESTS. I WANT TO EMPHASIZE OUR INTENTION TO MAINTAIN CLOSE AND FRIENDLY RELATIONS WITH THE COUNTRIES OF THE MIDDLE EAST.

THERE IS MUCH COMMON GROUND BETWEEN THE PRINCIPLES OF THE ADMINISTRATION WHICH I HAVE ENUNCIATED AND THE OBJECTIVES OF THE CURRENT CONGRESSIONAL PROPOSALS FOR NEW

LEGISLATION.

THIS ADMINISTRATION WANTS TO WORK OUT WITH THE CONGRESS  
LANGUAGE FOR ANTI-BOYCOTT LEGISLATION ON WHICH WE CAN BOTH  
AGREE.

--

I ALSO HOPE IT WILL BE POSSIBLE, AS THESE HEARINGS PRO-  
CEED, FOR THE VARIOUS BUSINESS AND OTHER GROUPS TO  
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RECONCILE THEIR VIEWS ON THE PROVISIONS OF SOME NEW  
LEGISLATION. IN THIS RESPECT I HAVE RECEIVED ENCOURAGING  
REPORTS THAT THE MEETINGS BETWEEN THE ANTI-DEFAMATION  
EAGUE AND THE BUSINESS ROUNDTABLE HAVE BEEN CONSTRUCTIVE.

A SUBSTANTIAL MEETING OF MINDS BY THESE REPRESENTATIVE  
GROUPS ON A SET OF PRINCIPLES ON WHICH LEGISLATION MIGHT  
BE BASED WILL BE A GREAT HELP TO US IN OUR DELIBERATIONS.

THE OTHER CABINET MEMBERS CONCERNED AND I WOULD BE HAPPY  
TO MAKE AVAILABLE OUR EXPERTS TO WORK WITH YOUR COMMITTEE  
STAFF TO FORMULATE NEW LEGISLATIVE LANGUAGE ON WHICH WE  
CAN AGREE. AS ISSUES ARE DEVELOPED FOR DECISION, I WILL  
ALSO BE HAPPY PERSONALLY TO CONSULT FURTHER WITH THE  
MEMBERS OF THIS COMMITTEE. END QUOTE.  
VANCE

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DRAFTEDBY NEA/RA:SEPALMER,JR.

APPROVED BY: NEA/RA: SEPALMER,JR.

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C O N F I D E N T I A L



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FOREIGN COUNTRIES TO INFLUENCE DECISIONS AND ACTIVITIES OF AMERICAN FIRMS IN CONNECTION WITH ANY PRIMARY BOYCOTT OF ANOTHER COUNTRY. THUS, SECONDARY BOYCOTT PRACTICES OF OTHER COUNTRIES CAN INTRUDE SERIOUSLY INTO THE BUSINESS PRACTICES OF AMERICAN FIRMS ENGAGED IN U.S. COMMERCE AND CAN HAVE THE EFFECT OF USING U.S. COMMERCE TO HARM THIRD COUNTRIES WITH WHOM WE ARE FRIENDS. I BELIEVE WE WILL ALL AGREE THAT U.S. FIRMS SHOULD NOT BE REQUIRED, BY THE DECISION OF A FOREIGN NATION, TO AVOID COMMERCIAL RELATIONS WITH OTHER FRIENDLY COUNTRIES OR WITH OTHER U.S. FIRMS.

ONE SPECIFIC PROBLEM ARISING FROM FOREIGN BOYCOTT PRACTICES HAS BEEN THE REQUIREMENT FOR USE OF NEGATIVE CERTIFICATIONS (E.G., CERTIFICATIONS THAT GOODS DO NOT ORIGINATE IN A GIVEN COUNTRY, OR ARE NOT PRODUCED BY A FIRM BLACKLISTED BY ANOTHER COUNTRY OR ARE NOT SHIPPED ON A BLACKLISTED VESSEL). THE MEMBERS OF THIS COMMITTEE SHOULD BE AWARE THAT DIPLOMATIC EFFORTS AND THE EFFORTS OF THE U.S. BUSINESS COMMUNITY OVER MANY MONTHS HAVE BROUGHT ABOUT SOME ENCOURAGING CHANGES IN THIS AREA OF

CONCERN. I AM HAPPY TO REPORT THAT DURING MY VISIT TO SAUDI ARABIA, ITS LEADERS INFORMED US THAT SAUDI ARABIA WILL ACCEPT POSITIVE CERTIFICATIONS OF ORIGIN. WE ARE CONTINUING OUR EFFORTS TO BRING ABOUT FURTHER VOLUNTARY CHANGES BY FOREIGN GOVERNMENTS IN THIS AND OTHER AREAS OF INTRUSIVE BOYCOTT PRACTICES.

WE AGREE, MR. CHAIRMAN, ON THE NEED TO PROHIBIT BY LAW IN ABSOLUTE TERMS ANY DISCRIMINATORY ACTIONS ARISING FROM FOREIGN BOYCOTTS, BASED ON RACE, RELIGION, OR NATIONAL ORIGIN. FORTHRIGHT DIPLOMACY IS ANOTHER WAY TO PURSUE OUR EFFORTS, AND WE HAVE FOUND A FORTHOMING RESPONSE. THE GOVERNMENT OF SAUDI ARABIA HAS VERY RECENTLY INFORMED US AGAIN THAT ITS BOYCOTT "HAS NO CONNECTION WITH OR BASIS IN MATTERS OF RACE OR CREED." WHEN SPECIFIC INSTANCES OF LIMITED OFFICIAL USE  
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DISCRIMINATORY REQUESTS HAVE BEEN REPORTED IN ISOLATED INSTANCES, WE HAVE APPROACHED FOREIGN GOVERNMENTS AND RECEIVED ASSURANCES THAT DISCRIMINATION WAS CONTRARY TO THE POLICY OF THE GOVERNMENT IN QUESTION. WE APPRECIATE THE RESPONSIVENESS OF THE BOYCOTTING COUNTRIES TO OUR CONCERN IN SEEKING TO REMEDY AND AVOID RECURRENCE OF ANY SUCH DISCRIMINATION, WHICH ALL OF US ABHOR. WE WILL REMAIN VIGILANT ON THIS POINT.

MY APPEARANCE HERE FOLLOWS CLOSELY ON MY RETURN FROM THE MIDDLE EAST. I BELIEVE IT WOULD BE APPROPRIATE TO TALK FOR A MOMENT ABOUT OUR MIDDLE EAST POLICY AS A WHOLE, AND ABOUT OUR HOPES AND OUR EFFORTS FOR A PEACE SETTLEMENT IN THE AREA.

PRESIDENT CARTER ASKED ME TO TRAVEL TO THE MIDDLE EAST, IN MY FIRST MISSION ABROAD AS SECRETARY OF STATE, BECAUSE HE BELIEVES THAT THE MIDDLE EAST SITUATION MUST BE GIVEN VERY HIGH AND EARLY PRIORITY.

MY TRIP HAD SEVERAL PURPOSES.

-- TO DEMONSTRATE THE IMPORTANCE THE PRESIDENT AND I ATTACH TO THE ACHIEVEMENT OF A JUST AND DURABLE PEACE IN THE MIDDLE EAST, AND TO THE MAINTENANCE OF CLOSE TIES BETWEEN THE UNITED STATES AND THE NATIONS I VISITED.

-- TO MEET THE LEADERS OF THOSE NATIONS AND ESTABLISH THE PERSONAL RELATIONSHIPS THAT ARE SO IMPORTANT TO A DIPLOMACY OF CONFIDENCE AND TRUST.

-- AND TO LEARN FROM THEM THEIR VIEWS, SO WE MIGHT DEFINE MORE CLEARLY AREAS OF BOTH AGREEMENT AND DISAGREEMENT, AND ESTABLISH A BASE FOR OUR OWN DIPLOMACY IN PURSUIT OF

PEACE.

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I AM SATISFIED THAT THESE PURPOSES WERE MET. WE FACE A LONG AND DIFFICULT PROCESS, WITH NO ASSURANCE OF SUCCESS. BUT THIS HAS BEEN A GOOD BEGINNING, AND WE ARE DETERMINED TO PROCEED.

I WAS ENCOURAGED TO FIND A NUMBER OF AREAS OF GENERAL AGREEMENT AMONG THE LEADERS I MET:

-- THERE IS A COMMON COMMITMENT TO WORKING FOR PEACE, SO THAT THEY MAY TURN THE ENERGIES OF THEIR GOVERNMENTS TO BRINGING THE ECONOMIC AND SOCIAL BENEFITS OF PEACE TO THEIR PEOPLES.

-- THERE IS A CONSENSUS ON THE DESIRABILITY OF RECONVENING THE GENEVA CONFERENCE SOMETIME DURING THE SECOND HALF OF 1977.

-- EACH AGREED TO ATTEND SUCH A CONFERENCE WITHOUT PRE-CONDITIONS, ASSUMING THE RESOLUTION OF DISAGREEMENTS ON PROCEDURAL QUESTIONS.

-- THEY WOULD LIKE TO SEE THE UNITED STATES PLAY AN ACTIVE ROLE IN FACILITATING THE SEARCH FOR A SETTLEMENT.

-- AND EACH LEADER ACCEPTED AN INVITATION TO MEET WITH PRESIDENT CARTER DURING THE NEXT THREE MONTHS.

THIS IS A BASE ON WHICH WE CAN BUILD. BUT THERE ARE COMPLEX PROCEDURAL AND SUBSTANTIVE ISSUES THAT WILL REQUIRE IMAGINATION AND FLEXIBILITY FROM US ALL.

WHILE THERE WAS GENERAL AGREEMENT ON WHAT THE CORE ISSUES OF A SETTLEMENT MUST BE, THERE ARE STRONGLY DIFFERING VIEWS ON HOW THESE ISSUES SHOULD BE RESOLVED. THESE CORE ISSUES ARE THE NATURE OF PEACEFUL RELATIONS BETWEEN ISRAEL AND HER NEIGHBORS; THE BOUNDARIES OF PEACE, AND THE  
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FUTURE OF THE PALESTINIANS.

IN ADDITION THERE ARE SHARP DISAGREEMENTS OVER WHETHER AND HOW THE PLO SHOULD BE INVOLVED IN A GENEVA CONFERENCE.

NO ONE CAN PROMISE SUCCESS. BUT WE ARE COMMITTED TO A

SERIOUS EFFORT AT HELPING THE NATIONS OF THE MIDDLE EAST FIND A JUST AND LASTING SOLUTION TO THE CONFLICTS AND TENSIONS THAT HAVE PLAGUED THEM AND THREATENED THE WORLD FOR NEARLY THREE DECADES.

GIVEN THE INHERENT DIFFICULTY OF THIS CHALLENGE, AND THE VERY HIGH STAKES WE HAVE IN MEETING IT SUCCESSFULLY, WE BELIEVE WE ARE BOUND TO DO WHAT WE CAN TO ENHANCE THE CHANCES OF SUCCESS BY OUR HANDLING OF RELATED ISSUES.

I MUST ALSO REPORT THAT I DID FIND CONCERN IN ARAB CAPITALS ABOUT THE EFFECTS OF LEGISLATION ON COMMERCIAL RELATIONS BETWEEN THE U.S. AND THOSE COUNTRIES.

THEY ALSO ATTACH IMPORTANCE TO GOOD BILATERAL RELATIONS WITH THE UNITED STATES. OUR SHARED ECONOMIC AND COMMERCIAL INTERESTS ARE AN IMPORTANT PART OF THESE RELATIONS. THE MAGNITUDE OF THESE INTERESTS IS REFLECTED IN THE LATEST STATISTICS ON ECONOMIC RELATIONS BETWEEN THE UNITED STATES AND MIDDLE EASTERN COUNTRIES. OVER THE PAST FOUR YEARS, THE MIDDLE EAST MARKET FOR U.S. EXPORTS HAS DOUBLED IN IMPORTANCE (FROM ABOUT 5 PERCENT OF TOTAL U.S. EXPORTS TO NEARLY 10 PERCENT OF THIS TOTAL). DURING THIS PERIOD, OUR EXPORTS TO THE ARAB COUNTRIES HAVE NEARLY QUADRUPLED, TO A PRESENT LEVEL OF DOLLARS 7 BILLION A YEAR. OUR CURRENT EXPORTS TO ISRAEL AND THE ARAB COUNTRIES OF THE MIDDLE EAST NOW TOTAL SOME DOLLARS 8.5 BILLION. U.S. OIL IMPORTS FROM ARAB COUNTRIES NOW ACCOUNT FOR MORE THAN A THIRD OF TOTAL U.S. IMPORTS AND MORE THAN 15 PERCENT OF TOTAL U.S. OIL CONSUMPTION. REFLOWS TO LIMITED OFFICIAL USE  
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THE UNITED STATES OF PETRO-DOLLARS IN THE FORM OF INVESTMENT FROM THE ARAB STATES ARE RUNNING SOME DOLLARS 10 BILLION A YEAR.

I BELIEVE THAT A FORTHRIGHT BUT CAREFULLY CONSIDERED POLICY EMPHASIZING THAT U.S. LEGISLATION DEALS--AS IS ENTIRELY APPROPRIATE--WITH U.S. COMMERCE AND THE ACTIVITIES OF U.S. PERSONS, WILL BE UNDERSTOOD BY ARAB LEADERS.

WE HAVE WEIGHED CAREFULLY THE RISKS TO OUR IMPORTANT POLITICAL AND ECONOMIC INTERESTS IN THE MIDDLE EAST WHICH ATTEND FURTHER LEGISLATION DIRECTED AT ACTIVITIES OF U.S. FIRMS RELATED TO FOREIGN BOYCOTTS. WE BELIEVE THAT CAREFULLY DIRECTED LEGISLATION COMBINED WITH DIPLOMATIC ACTION CAN PROTECT OUR INTERESTS. I WANT TO EMPHASIZE OUR INTENTION TO MAINTAIN CLOSE AND FRIENDLY RELATIONS WITH THE COUNTRIES OF THE MIDDLE EAST.

THERE IS MUCH COMMON GROUND BETWEEN THE PRINCIPLES OF THE ADMINISTRATION WHICH I HAVE ENUNCIATED AND THE OBJECTIVES OF THE CURRENT CONGRESSIONAL PROPOSALS FOR NEW LEGISLATION.

THIS ADMINISTRATION WANTS TO WORK OUT WITH THE CONGRESS LANGUAGE FOR ANTI-BOYCOTT LEGISLATION ON WHICH WE CAN BOTH AGREE.

--

I ALSO HOPE IT WILL BE POSSIBLE, AS THESE HEARINGS PROCEED, FOR THE VARIOUS BUSINESS AND OTHER GROUPS TO

RECONCILE THEIR VIEWS ON THE PROVISIONS OF SOME NEW LEGISLATION. IN THIS RESPECT I HAVE RECEIVED ENCOURAGING REPORTS THAT THE MEETINGS BETWEEN THE ANTI-DEFAMATION LEAGUE AND THE BUSINESS ROUNDTABLE HAVE BEEN CONSTRUCTIVE. A SUBSTANTIAL MEETING OF MINDS BY THESE REPRESENTATIVE LIMITED OFFICIAL USE LIMITED OFFICIAL USE

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GROUPS ON A SET OF PRINCIPLES ON WHICH LEGISLATION MIGHT BE BASED WILL BE A GREAT HELP TO US IN OUR DELIBERATIONS.

THE OTHER CABINET MEMBERS CONCERNED AND I WOULD BE HAPPY TO MAKE AVAILABLE OUR EXPERTS TO WORK WITH YOUR COMMITTEE STAFF TO FORMULATE NEW LEGISLATIVE LANGUAGE ON WHICH WE CAN AGREE. AS ISSUES ARE DEVELOPED FOR DECISION, I WILL ALSO BE HAPPY PERSONALLY TO CONSULT FURTHER WITH THE MEMBERS OF THIS COMMITTEE. END QUOTE.

VANCE

UNQUOTE VANCE

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